Turkey: The Case for a Shift from Refinancing to Capital Structure Optimisation

NN Capital Advisory | April 2026

This note was prompted by the publication of Dun & Bradstreet's 2026 Global Bankruptcy Report, which placed Turkey sixth globally for the pace of corporate insolvency growth in 2025, with business failures rising 28.7% year on year. That figure, while notable, needs to be read in context. After several years in which government support measures and accommodative conditions kept insolvency rates artificially low across most major economies, a broad normalisation has been under way globally. Turkey's 2025 figure reflects that adjustment, alongside the specific challenges of one of the most demanding monetary tightening cycles in its recent history.

The direction of travel is now shifting. Rate cuts are under way, inflation is on a downward path, and the external financing environment has been improving. The question for Turkish corporates is not whether the cycle is turning — it clearly is — but whether they are positioned to take advantage of it.

The Structural Challenge

The Turkish loan market has a structural characteristic that constrains corporate financing options in ways that are often underappreciated by international observers. Domestic bank lending is predominantly short-term, and TL liquidity availability is limited — particularly for larger facilities. Turkish corporates have not accumulated short-term debt out of preference but out of necessity: the market simply does not offer the longer-dated, more flexible instruments that international borrowers take for granted. This structural gap is precisely where international capital — whether from banks, bond markets, ECAs, IFIs or private credit funds — can add genuine value.

The Refinancing Opportunity

Turkey's international debt capital market has demonstrated consistent depth and investor appetite. Turkey issued around $27 billion in international bonds in 2025, and Fitch Ratings projects Turkey's total debt capital market to exceed $540 billion in outstanding volume in 2026, driven by heavy refinancing needs and upcoming maturities. The investor base remains engaged — Turkey continues to offer one of the most attractive yield and spread profiles among emerging market borrowers, and market participants have consistently shown appetite for well-structured Turkish credit.

For corporates, the refinancing cycle creates a genuine strategic opportunity. Companies that proactively diversify their funding base — extending maturities, accessing new lender pools, and reducing dependence on short-term domestic facilities — will enter the next cycle in a structurally stronger position.

The Tools Available

The range of financing instruments accessible to Turkish corporates is broader than many appreciate. For larger corporates with established international market access, the Eurobond market remains active and has shown consistent appetite for well-structured Turkish credit. For mid-market corporates, bilateral bank facilities, ECA-backed structures and IFI financing offer alternatives that do not require public market access. And for a growing number of transactions, international private credit funds are actively looking at Turkey — attracted by the risk-adjusted returns and the quality of the borrower base.

Turkey's domestic capital markets are also developing as a financing option in their own right. The growth of the local institutional investor base — driven in part by the expansion of the individual pension system (BES) — has created

increasing demand for TL-denominated corporate bonds and sukuk. For corporates with predominantly domestic revenues and TL cost structures, local currency issuance offers a natural hedge and reduces exposure to FX refinancing risk. While the domestic market has historically been dominated by sovereign and bank issuance, the corporate segment is gaining traction. The direction of travel is clear and the conditions for inaugural corporate issuers to establish a local curve are becoming increasingly favourable.

Each instrument has its own conditions, timing considerations and structural requirements. Choosing the right path — and the right moment — requires a clear-eyed assessment of the borrower's profile, available instruments and the lender universe.

The Window

The CBRT has been on an easing path, and domestic financing conditions have been gradually improving. However, the global environment has become less predictable. Escalating tensions between the United States and Iran introduce meaningful uncertainty around energy prices and emerging market financing conditions more broadly. Turkey, as a major energy importer, is not insulated from these dynamics. Higher oil prices feed directly into inflation — complicating the central bank's easing path — weigh on growth through higher input costs across the economy, and create budgetary pressure given that the government's energy pricing mechanism shields consumers from the full impact of market price increases, with the cost falling on the public balance sheet.

In this context, the case for proactive action is stronger, not weaker. The opportunity is not simply to refinance — but to reassess the full capital structure: the right combination of instruments, maturity profile, currency mix and seniority. Companies that approach this cycle with a strategic lens — diversifying their lender base, extending duration, and optimising their liability stack before conditions shift — will be better placed when the next tightening cycle arrives. This is not a response to distress. It is a mark of financial discipline.

NN Capital Advisory provides independent advice on capital structure and financing, supporting the structuring and execution of transactions across Turkey, CEEMEA and the GCC involving banks, private credit investors and IFIs.